Office of the Attorney General
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Department of Financial Institutions
Acting Commissioner Greg Gonzales

NEWS RELEASE

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AMERIQUEST MORTGAGE COMPANY TO PAY $325 MILLION TO RESOLVE MULTISTATE INVESTIGATION OF PREDATORY LENDING

Attorney General Paul G. Summers and Department of Financial Institutions Acting Commissioner Greg Gonzales announced today that Ameriquest Mortgage Company, the nation's largest sub-prime lender, has agreed to pay $295 million to consumers and make sweeping reforms of practices that states alleged amounted to predatory lending. Ameriquest also will pay a total of $30 million for costs of the investigation and consumer education and enforcement. This agreement is subject to the court's approval.

Of the $295 million in restitution, $175 million will be distributed in a nationwide claims process to eligible Ameriquest customers who obtained mortgages from January 1, 1999, through April 1, 2003 with payments based on a formula set by the settling states. Another $120 million in restitution will be allocated to the settling states based on the percentage of total Ameriquest loans held by consumers in each state and will be used to compensate Ameriquest customers who obtained mortgages between January 1, 1999, and December 31, 2005.

A total of 49 states and the District of Columbia have signed on to the agreement. Individual states' exact share of restitution funds has not been determined, but a reasonable estimate is that Tennessee's share will be about $2.5 million. Consumers do not need to take any action at this point to pursue recoveries – they will be contacted later as specific recovery terms and plans are determined.

"We believe Ameriquest engaged in unfair and deceptive practices that harmed consumers," Attorney General Summers said. "But they've agreed to change their practices, and this agreement will set standards we expect other mortgage lenders to follow."

The $325 million payment ranks as the second-largest state or federal consumer protection settlement in history, after the $484 million predatory lending agreement reached in 2002 between most states and Household Finance Corporation. Ameriquest denies all allegations raised by the states, but the company agreed to a battery of new standards to prevent what the states alleged were unfair and deceptive practices.

"This agreement demonstrates that we are making progress in Tennessee in creating an environment that does not tolerate predatory practices, but encourages lenders to serve the credit needs of our citizens in a fair manner," said Acting Commissioner Gonzales.

Today's development culminates about two years of investigation by the Attorneys General, state banking regulators and local prosecutors and a year of negotiations. Law enforcement officials and regulators initiated their investigation after receiving hundreds of complaints from Ameriquest customers nationwide. The investigation resulted in alleged improper practices including: inadequate disclosure of prepayment penalties, discount points and other loan terms; unsolicited refinancing offers that did not adequately disclose prepayment penalties; improperly influenced and inflated appraisals; and encouraging borrowers to lie about income or employment to obtain loans.

The agreement applies to ACC Capital Holding Corporation, and its subsidiaries Ameriquest Mortgage Company, Town & Country Credit Corporation, and AMC Mortgage Services, Inc., formerly known as Bedford Home Loans. The company is based in Orange, California, near Los Angeles. Astronomical growth over the last few years has made Ameriquest the nation's largest sub-prime mortgage lender.

Ameriquest primarily makes refinancing loans to existing homeowners who are hoping to consolidate credit card and other debt into their new home mortgage and come out ahead with overall monthly savings. Borrowers who don't have the best credit ratings may turn to sub-prime loans, which often have higher interest rates and other costs.

Nicole Lacey, Assistant Commissioner Consumer Resources Division and Communications Officer, said, "The Tennessee Department of Financial Institutions strongly urges any consumer who may have a concern about a lending practice to contact the Department in order to give us the opportunity to review concerns and take action as warranted."

Under the agreement, Ameriquest is required to:
*Provide the same interest rates and discount points for similarly-situated consumers.
*Not pay sales personnel incentives to include prepayment penalties or any other fees or charges in the mortgages.
*Provide full disclosure regarding interest rates, discount points, prepayment penalties, and other

loan or refinancing terms.

*Overhaul its appraisal practices by removing branch offices and sales personnel from the appraiser selection process, instituting an automated system to select appraisers from panels created in each state, limiting the company's ability to get second opinions on appraisals, and prohibiting Ameriquest employees from influencing appraisals.

*Not encourage prospective borrowers to falsify income sources or income levels.

*Provide accurate, good faith estimates.

*Limit prepayment penalty periods on variable rate mortgages.

*Not engage in refinancing solicitations during the first 24 months of a loan, unless the borrower is considering refinancing.

*Use independent loan closers.

*Adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.

The agreement also provides for appointment of an independent monitor to oversee Ameriquest's compliance with the settlement terms. The monitor will have broad authority to examine Ameriquest's lending operations, including access to documents and personnel. The monitor will submit periodic compliance reports to the Attorneys General during the next five years. Ameriquest will pay the monitor's costs.